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**ANNUAL AUDITED REPORT
FORM X-17 A-5
PART III**

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9/3

SEC FILE NUMBER

8-23280

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 07/01/03 AND ENDING 06/30/04
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: FMS Bonds, Inc.

OFFICIAL USE ONLY

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

FIRM I.D. NO.

301 Yamato Road

(No. and Street)

Boca Raton

FL

33431

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Michael Seligsohn

(305) 937-0660

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Kaufman, Rossin & Co.

(Name - if individual, state last, first, middle name)

2699 S. Bayshore Drive

Miami

Florida

33133

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant
☐ Public Accountant
☐ Accountant not resident in the United States or any of its possessions

PROCESSED

SEP 20 2004

THOMSON
FINANCIAL

SEC MAIL

AUG 30 2004

FOR OFFICIAL USE ONLY

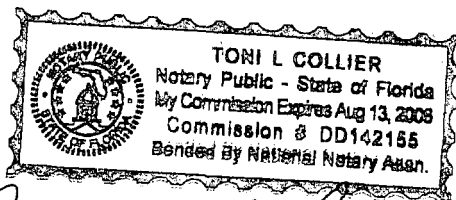
*Claims for exemption from the requirement that the annual report be covered by the opinion public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17 a-5(e) (2)

186940

OATH OR AFFIRMATION

I, James Klotz, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of FMS Bonds, Inc., as of June 30, 2004, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

No exceptions.



Toni L. Collier
(Notary Public)

[Signature]
(Signature)
President
(Title)

This report ** contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition. (Cash Flows)
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☒ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☒ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☒ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-3
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
- ☒ (o) Independent auditors' report on internal control required by CFTC Regulation 1.16 and SEC Rule 17a-5.

**** For conditions of confidential treatment of certain portions of this filing. See section 240.17a-5(e)(3).**

A report containing a statement of financial condition has been included; accordingly it is requested that this report be given confidential treatment.

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INDEPENDENT AUDITORS' REPORT

To the Stockholders
FMS Bonds, Inc.
North Miami Beach, Florida

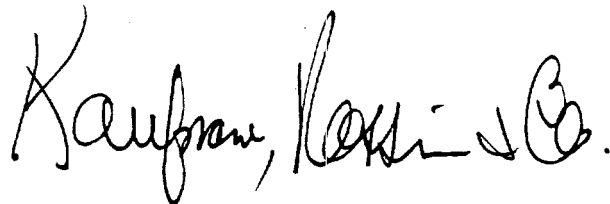
We have audited the accompanying consolidated statement of financial condition of FMS Bonds, Inc. and Subsidiary as of June 30, 2004, and the related consolidated statements of operations, changes in stockholders' equity, changes in liabilities subordinated to claims of general creditors and cash flows for the year then ended that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of FMS Bonds, Inc. and Subsidiary as of June 30, 2004, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The consolidated supplementary information contained on page 12 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The consolidated supplementary information on pages 13 through 15 is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 of the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Miami, Florida
August 16, 2004



**KAUFMAN
ROSSIN &
CO.** PROFESSIONAL
ASSOCIATION
CERTIFIED PUBLIC ACCOUNTANTS

FMS BONDS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL CONDITION
JUNE 30, 2004

ASSETS

CASH, including \$7,084 segregated for the exclusive benefit of customers	\$ 1,609,597
RECEIVABLE FROM BROKERS AND DEALERS	2,249,738
RECEIVABLE FROM CUSTOMERS	7,377,528
SECURITIES OWNED, AT MARKET (NOTES 5 AND 9)	96,764,509
BOND INTEREST AND REDEMPTIONS RECEIVABLE	1,158,584
SECURED DEMAND NOTES COLLATERALIZED BY MARKETABLE SECURITIES (NOTE 2)	6,350,000
PROPERTY AND EQUIPMENT (NOTE 3)	665,846
OTHER ASSETS (NOTE 4)	372,092
	<hr/>
	\$ 116,547,894

LIABILITIES AND STOCKHOLDERS' EQUITY

LIABILITIES	
Collateral loan payable (Note 5)	\$ 92,249,431
Payable to brokers and dealers	4,568,039
Payable to customers	255,837
Securities sold, but not yet purchased, at market (Note 9)	675,079
Accounts payable and accrued liabilities (Note 7)	3,359,131
Stockholder distributions payable	1,225,000
Total liabilities	102,332,517
LEASE COMMITMENTS AND OTHER MATTERS (NOTES 6 AND 9)	
SUBORDINATED LIABILITIES (NOTE 2)	6,350,000
STOCKHOLDERS' EQUITY	7,865,377
	<hr/>
	\$ 116,547,894

See accompanying notes.

FMS BONDS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED JUNE 30, 2004

REVENUES

Trading profits	\$ 28,876,107
Interest	3,340,306
Commissions and other	1,161,983
Total revenues	33,378,396

EXPENSES BEFORE OFFICERS' SALARIES	23,786,548
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INCOME BEFORE OFFICERS' SALARIES	9,591,848
----------------------------------	-----------

OFFICERS' SALARIES	1,238,000
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NET INCOME	\$ 8,353,848
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See accompanying notes.

FMS BONDS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
YEAR ENDED JUNE 30, 2004

	Common Stock \$0.25 par value: 4,000 shares authorized, 650 issued and outstanding		Additional Paid-in Capital	Retained Earnings	Total
Balances - June 30, 2003	\$	163	\$ 364,028	\$ 9,272,338	\$ 9,636,529
Net income		-	-	8,353,848	8,353,848
Distributions		-	-	(10,125,000)	(10,125,000)
Balances - June 30, 2004	\$	163	\$ 364,028	\$ 7,501,186	\$ 7,865,377

See accompanying notes.

FMS BONDS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CHANGES IN LIABILITIES
SUBORDINATED TO CLAIMS OF GENERAL CREDITORS
YEAR ENDED JUNE 30, 2004

BALANCE - JUNE 30, 2003	\$ 7,350,000
REPAYMENT IN THE CURRENT FISCAL YEAR	(1,000,000)
BALANCE - JUNE 30, 2004 (NOTE 2)	\$ 6,350,000

See accompanying notes.

FMS BONDS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2004

CASH FLOWS FROM OPERATING ACTIVITIES:

Net income	\$	8,353,848
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization		190,918
Changes in operating assets and liabilities:		
Receivable from brokers and dealers		606,815
Receivable from customers	(2,608,966)
Securities owned, at market	(45,284,558)
Bond interest and redemptions receivable	(474,728)
Other assets		27,252
Net borrowings on collateral loan payable		44,361,528
Payable to brokers and dealers		3,797,959
Payable to customers	(575,317)
Securities sold, but not yet purchased, at market		108,992
Accounts payable and accrued liabilities		238,613
Total adjustments		388,508
Net cash provided by operating activities		8,742,356

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchases of property and equipment	(7,456)
Net decrease in secured receivables from stockholders		296,812
Net cash provided by investing activities		289,356

CASH FLOWS FROM FINANCING ACTIVITIES:

Stockholder distributions	(8,900,000)
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NET INCREASE IN CASH 131,712

CASH - BEGINNING 1,477,885

CASH - ENDING \$ 1,609,597

Supplemental Disclosure of Cash Flow Information:

Interest paid	\$	944,286
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Supplemental Disclosures of Non-Cash Investing and Financing Activities:

The Company accrued distributions payable to the stockholders as of June 30, 2004.	\$	1,225,000
Decrease in secured demand notes receivable through retirement of subordinated liabilities. (Note 2)	\$	1,000,000

See accompanying notes.

FMS BONDS, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business and Organization

FMS Bonds, Inc. (formerly known as First Miami Securities, Inc.) and Subsidiary (the Company), is a broker and dealer specializing in municipal bonds. The Company acts primarily in a principal capacity, buying and selling for its own account and trading with customers and other dealers. To a lesser extent, the Company acts in an agency capacity, buying and selling equity securities and annuities for its customers and charging a commission.

Basis of Financial Statement Preparation

The consolidated financial statements include the accounts of FMS Bonds, Inc. (the Parent), (a Florida Corporation and registered broker-dealer) and its wholly owned subsidiary, FMS Asset Management, Inc. (a Delaware Corporation). All material intercompany balances and transactions have been eliminated in consolidation.

Government and Other Regulation

The Company's business is subject to significant regulation by various governmental agencies and self-regulatory organizations. Such regulation includes, among other things, periodic examinations by these regulatory bodies to determine whether the Company is conducting and reporting its operations in accordance with the applicable requirements of these organizations.

One of the stockholders of the Company was appointed to serve on the National Association of Securities Dealers, Inc. (NASD) District 7 Committee for a three year term through the end of 2005.

Securities Transactions and Revenue Recognition

Securities transactions are reported on a trade date basis, and securities owned and securities sold, but not yet purchased are valued at market. The resulting difference between cost and market is included in the statement of operations.

Interest income is recorded on an accrual basis.

Property and Equipment

Property and equipment is recorded at cost. Expenditures for major betterments and additions are charged to the asset accounts while replacements, maintenance and repairs which do not improve or extend the lives of the respective assets are charged to expense currently.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Depreciation and Amortization

Depreciation and amortization of property and equipment is computed using the straight-line method at various rates based upon the estimated useful lives of the assets. The range of estimated useful lives is summarized as follows:

Furniture and fixtures	5 to 8 years
Office equipment	5 to 8 years
Leasehold improvements	5 to 10 years
Transportation equipment	5 years

Receivables

The Company does not provide a reserve for uncollected receivables as substantially all amounts are collateralized by securities awaiting delivery. Amounts are charged directly to expense when deemed uncollectible, and have historically been immaterial.

Income Taxes

The Company has elected, with the stockholders' consent, to be taxed under the S Corporation provisions of the Internal Revenue Code. Under these provisions, the taxable income of the Company is reflected by the stockholders on their personal income tax returns.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Advertising Costs

Advertising costs are charged to operations when incurred. Advertising expense approximated \$324,358 for the year ended June 30, 2004.

NOTE 2. SECURED DEMAND NOTES COLLATERALIZED BY MARKETABLE SECURITIES AND SUBORDINATED LIABILITIES

On January 1, 2004, \$1,000,000 of the secured demand notes receivable and corresponding subordinated liability to an unrelated third party was retired.

Secured demand notes collateralized by marketable securities consist of non-interest bearing loans to stockholders of \$6,350,000.

NOTE 2. SECURED DEMAND NOTES COLLATERALIZED BY MARKETABLE SECURITIES AND SUBORDINATED LIABILITIES (Continued)

The subordinated liabilities may be repaid at the stated maturity dates only if, after giving effect to such repayment, the Company meets the regulatory net capital requirements governing repayment of such subordinated debt. These loans were made under agreements pursuant to the rules and regulations of the Securities and Exchange Commission, approved by the NASD and are subordinated to the claims of general creditors. Additionally, the subordinated liabilities to the stockholders of \$6,350,000 are non-interest bearing and mature on July 31, 2006.

NOTE 3. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

Furniture and fixtures	\$	595,210
Office equipment		873,716
Leasehold improvements		291,641
Transportation equipment		258,906
		<u>2,019,473</u>
Less accumulated depreciation and amortization	(<u>1,353,627)</u>
	\$	<u>665,846</u>

Depreciation and amortization expense for the year amounted to \$190,918.

NOTE 4. OTHER ASSETS

Other assets consisted of the following:

Prepays	\$	118,109
Other receivables		50,102
Net cash value of life insurance policies		25,000
Deposits		51,752
Employee loans receivable		<u>127,129</u>
	\$	<u>372,092</u>

NOTE 5. COLLATERAL LOAN PAYABLE

Collateral loan payable represents amounts due to the Company's clearing broker and is collateralized by securities owned or held as collateral by the Company and securities awaiting delivery on uncompleted transactions. Interest is payable monthly at the prevailing variable rate, which was 1.95% at June 30, 2004. All amounts due are payable on demand.

Interest expense for the year on all indebtedness amounted to \$948,563.

NOTE 6. LEASE COMMITMENTS

The Company is obligated under various non-cancelable operating leases for certain equipment and its office facility in Boca Raton, Florida.

As of June 30, 2004, the approximate future minimum annual rentals under the non-cancellable leases are as follows:

2005	\$	17,000
2006		8,000
2007		8,000
2008		3,000
		<hr/>
		\$ 36,000

The Company has a month-to-month lease arrangement with its stockholders for an office facility in North Miami Beach, Florida. Rent expense and real estate taxes on this facility approximated \$259,281 and \$17,474, respectively. Total rent expense for all facilities for the year ended June 30, 2004 amounted to \$548,431.

NOTE 7. EMPLOYEE BENEFIT PLANS

The Company maintains a 401(k) plan covering substantially all employees. Employer contributions to the plan are at the discretion of management. For the year ended June 30, 2004, the Company had accrued \$132,500 for this plan. Additionally, the Company maintains a non-qualified Senior Executives' Retirement Plan (SERP). Contributions, the funding of which is at management's discretion, are calculated based on the qualifying employee's salary and years of employment. At June 30, 2004, the Company had accrued \$1,282,985 for the SERP.

NOTE 8. NET CAPITAL REQUIREMENTS

As a registered broker-dealer, the Company is subject to the Uniform Net Capital Rule of the Securities and Exchange Commission, which requires that "Net Capital", as defined, shall be at least the greater of \$250,000 or 6-2/3% of "Aggregate Indebtedness", as defined. At June 30, 2004, the Company's "Net Capital" was \$5,144,961 which exceeded requirements by \$4,647,265. The ratio of "Aggregate Indebtedness" to "Net Capital" was 1.45 to 1 at June 30, 2004.

NOTE 9. CREDIT CONCENTRATIONS AND OFF-BALANCE-SHEET RISK

In the normal course of business, the Company enters into financial transactions in which there is a risk of loss due to changes in the market ("market risk") or failure of the other party to the transaction to perform ("credit risk"), as described below.

Securities Sold, But Not Yet Purchased

Securities sold, but not yet purchased aggregate \$675,079 at June 30, 2004. Subsequent market fluctuations may require the Company to purchase these securities at prices which exceed the market value in the accompanying statement of financial condition.

Custody of Securities

Custodial functions for the Company's securities transactions are substantially provided by a New York City bank. At June 30, 2004, a majority of securities owned is held by this bank.

Deposits with Financial Institutions

The Company may, during the course of operations, maintain cash deposits in excess of federally insured limits.

CONSOLIDATED SUPPLEMENTARY INFORMATION

FMS BONDS, INC. AND SUBSIDIARY
CONSOLIDATED SCHEDULE OF EXPENSES
YEAR ENDED JUNE 30, 2004

Advertising and promotion	\$ 1,170,271
Automobile and travel	228,474
Contributions	228,083
Clearing charges	698,111
Computer	463,965
Depreciation and amortization	190,918
Dues and subscriptions	152,912
Employee benefits	415,973
Employees' salaries and commissions	14,410,532
Entertainment	253,587
Equipment rental	165,596
Insurance	1,371,130
Interest	948,563
Licenses, taxes and registration	166,262
Office	752,802
Payroll taxes	639,634
Professional fees	569,993
Rent	548,431
Repairs and maintenance	124,533
Telephone and communication	232,694
Utilities	54,084
	<hr/>
	\$ 23,786,548

See independent auditors' report.

FMS BONDS, INC. AND SUBSIDIARY

CONSOLIDATED COMPUTATION OF NET CAPITAL PER
UNIFORM NET CAPITAL RULE 15c3-1 AND RECONCILIATION TO
COMPANY'S CORRESPONDING UNAUDITED FORM X-17A-5,
PART II FILING
JUNE 30, 2004

CREDITS

Stockholders' equity	\$	7,865,377
Subordinated liabilities		6,350,000
Total credits		14,215,377

DEBITS

Bond redemptions receivable		1,678
Property and equipment		665,846
Other assets		372,092
Customers' unsecured accounts		28,692
Haircut on aged failed to deliver		28,592
Total debits		1,096,900

NET CAPITAL BEFORE HAIRCUTS ON SECURITY POSITIONS 13,118,477

HAIRCUTS ON SECURITY POSITIONS 7,973,516

NET CAPITAL 5,144,961

**MINIMUM NET CAPITAL REQUIREMENT - GREATER OF \$250,000 OR 6 2/3% OF
AGGREGATE INDEBTEDNESS OF \$7,465,449** 497,696

EXCESS NET CAPITAL \$ 4,647,265

RATIO OF AGGREGATE INDEBTEDNESS TO NET CAPITAL 1.45 to 1

SCHEDULE OF AGGREGATE INDEBTEDNESS

Collateral loan payable	\$	292,065
Payable to brokers and dealers		2,333,416
Payable to customers		255,837
Accounts payable and accrued liabilities		3,359,131
Stockholder distributions payable		1,225,000
Total aggregate indebtedness	\$	7,465,449

There are no material differences between the above computation and and the Company's corresponding unaudited Form X-17A-5, Part II filing.

See independent auditors' report.

FMS BONDS, INC. AND SUBSIDIARY

CONSOLIDATED COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS
PURSUANT TO RULE 15c3-3 AND RECONCILIATION TO COMPANY'S
CORRESPONDING UNAUDITED FORM X-17A-5, PART II FILING
JUNE 30, 2004

CREDIT BALANCES

Free credit balances and other credit balances in customers' securities accounts	\$ 255,937
Monies borrowed, collateralized by securities carried for the account of customers	292,065
Customers' securities failed to receive	2,330,706
Credit balances in firm accounts which are attributable to principal sales to customers	869,675
Total credits	3,748,383

DEBIT BALANCES

Debit balances in customers' cash and margin accounts, excluding unsecured accounts and accounts doubtful of collection	7,253,698
Excess of total debits over total credits	\$ 3,505,315

RESERVE COMPUTATION

Reserve requirement	\$ -
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As of July 1, 2004 (the first business day after June 30, 2004) the Company had \$7,084 in a special reserve bank account segregated for the exclusive benefit of customers.

**RECONCILIATION TO THE COMPANY'S COMPUTATION
(INCLUDED IN PART II OF FORM UNAUDITED X-17a-5 AS OF JUNE 30, 2004)**

The reconciliation to the Company's computation included in Part II of the Unaudited Form X-17A-5 as of June 30, 2004 is not considered necessary, as the difference from the audited computation is not material.

See Independent Auditors' Report.

FMS BONDS, INC. AND SUBSIDIARY
INFORMATION RELATING TO POSSESSION OR CONTROL
REQUIREMENTS UNDER RULE 15c3-3
JUNE 30, 2004

There are no customers' fully paid securities and excess margin securities not in the respondent's possession or control as of the report date (for which instructions to reduce to possession or control had been issued as of the report date but for which the required action was not taken by respondent within the time frames specified under rule 15c3-3).

There are no customers' fully paid securities and excess margin securities for which instructions to reduce to possession or control had not been issued as of the report date, excluding items arising from "temporary lags which result from normal business operations" as permitted under rule 15c3-3.

See independent auditors' report.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL REQUIRED
BY SEC RULE 17a-5**

To the Stockholders
FMS Bonds, Inc.
North Miami Beach, Florida

In planning and performing our audit of the consolidated financial statements of FMS Bonds, Inc. and Subsidiary (the Company) for the year ended June 30, 2004, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements and not to provide assurance on the internal control.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company, including tests of compliance with such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g), in the following:

1. Making the periodic computations of aggregate indebtedness and net capital under rule 17a-3(a)(11) and the reserve required by rule 15c3-3(e)
2. Making the quarterly securities examinations, counts, verifications and comparisons, and the recordation of differences required by rule 17a-13
3. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System
4. Obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers as required by rule 15c3-3

The management of the Company is responsible for establishing and maintaining an internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls, and of the practices and procedures referred to in the preceding paragraph, and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with generally accepted accounting principles in the United States of America. Rule 17a-5(g) list additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control or the practices and procedures referred

to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate. Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control, including control activities for safeguarding securities, that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at June 30, 2004, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, NASD and other regulatory agencies that rely on rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

Miami, Florida
August 16, 2004

A handwritten signature in black ink, appearing to read "Kaufman, Rossin & Co.", written in a cursive, stylized script.